AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

1990 ANNUAL REPORT

AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

ANNUAL REPORT

Final Annual Report
For the Year Ended
December 31, 1990

This Annual Report is printed on paper made in Saskatchewan.

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LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 15, 1991

To Her Honour
The Honourable Sylvia O. Fedoruk, O.C., S.O.M.
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the final Annual Report of the Agricultural Development Corporation of Saskatchewan for the year ended December 31, 1990, in accordance with **The Crown Corporations Act**. The financial statements are in the form approved by the Treasury Board and have been duly certified by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,

Richard J. Swenson
Minister Responsible
Agricultural Development Corporation
of Saskatchewan

AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

BOARD OF DIRECTORS
(At Date of Wind Up)

Hon. R. J. Swenson
Minister Responsible

W. B. Gibson
President, Crown Management Board

I. A. Ellis
Crown Management Board

C. L. Sinotte
Crown Management Board

J. L. Wright
Crown Management Board

OFFICE

300 – 2400 College Avenue
Regina, Saskatchewan
S4P 1C8

AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

1990 OPERATIONS REVIEW

Overview

The Agricultural Development Corporation of Saskatchewan (Agdevco) conducted operations during the first five months of 1990. Throughout this time, Agdevco continued to provide personnel to assist in implementing certain agricultural projects in developing countries under agreements entered into with the Canadian International Development Agency (CIDA) and Saskatchewan Agriculture. Effective May 31, 1990 Agdevco sold five of these management contracts to a newly formed private sector company, O & T Agdevco Ltd.

Because the international contracts that were sold represented the major part of Agdevco's operations, the remaining trade activities were subsequently transferred to the Department of Economic Diversification and Trade. There were no physical assets or investments involved in this transfer of responsibility.

The Divestiture

As reported in Agdevco's 1989 Annual Report, changes in CIDA's tendering process would have effectively precluded Agdevco from competing for future international management contracts. In order to allow for a continuation of CIDA related work to be offered within the province, Agdevco sold five of its six ongoing international management contracts plus related computer equipment and software to O & T Agdevco Ltd. effective May 31, 1990. O & T Agdevco Ltd. is a Saskatchewan-based company whose shareholders include a group of former Agdevco employees. Cash was paid in the amount of $134,000 which resulted in a gain on sale of $126,721 to Agdevco.

In addition to the five contracts mentioned above, Agdevco International Inc., a wholly-owned subsidiary of Agdevco, has an interest in the Crescent/Agdevco Joint Venture. The joint venture is involved in two drainage projects in Pakistan. Effective December 20, 1990 Agdevco sold its investment in Agdevco International Inc. to CIC Industrial Interests Inc. (CIC III), a wholly-owned subsidiary of Crown Management Board of Saskatchewan (CMB).

Agdevco also had an investment in the amount of $2.6 million in National Pig Development (Canada) Co. Ltd. including associated loans receivable. The investment and loans were sold to CIC III for consideration equal to their book value effective December 20, 1990.

Wind Up

Cash received from the sale of Agdevco's international management contracts was remitted to CMB and applied against outstanding equity advances. Agdevco was inactive at December 31, 1990 and had no assets, liabilities, operations or employees at the date of wind up.

Agdevco was wound up by Order-in-Council #1121/90 which stipulated that effective December 31, 1990 all of the rights, assets and obligations of Agdevco be assumed by CMB. Accordingly this shall be the final Annual Report for Agdevco.

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of the Agricultural Development Corporation of Saskatchewan as at December 31, 1990 and the consolidated statements of operations and deficit and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these consolidated financial statements present fairly in all material respects, the financial position of the Corporation as at December 31, 1990, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

In our report dated February 26, 1990 on the financial statements for the year ended December 31, 1989, our opinion contained a reservation on the statement of operations, accounts receivable, accounts payable and contingent liabilities. Because of a delay in the completion of the accounting records of a joint venture in which the Corporation was a participant, we were unable to complete our examination with respect to the activities of this joint venture. Accordingly, we were unable to determine whether any adjustments may have been necessary to these accounts at December 31, 1989. As described in Note 3(b) during the current year, the investment in this joint venture was sold to CIC Industrial Interests Inc.

Price Waterhouse

Regina, Saskatchewan
January 25, 1991

Chartered Accountants

AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	1990	1989
Assets		
Current Assets		
Cash and short-term deposits	$ –	$ 42,011
Accounts receivable	–	1,607,830
Inventory	–	423,719
Prepaid expenses	–	8,533
	–	2,082,093
Loan receivable	–	585,273
Fixed assets	–	81,301
Long-term investment	–	1,426,341
	$ –	$ 4,175,008
Liabilities and Province's Equity		
Current Liabilities		
Bank indebtedness	$ –	$ 389,180
Accounts payable – trade	–	776,977
– other	–	14,407
Customer deposits	–	12,122
Current portion of long-term debt	–	18,227
	–	1,210,913
Long-term debt, less current portion	–	581,773
Obligations under capital leases, less current portion	–	3,638
	–	1,796,324
Province of Saskatchewan's Equity (Note 6)		
Equity advances	–	6,778,814
Deficit	–	(4,400,130)
	–	2,378,684
	$ –	$ 4,175,008

(See accompanying notes)

AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

From January 1, 1990 to December 31, 1990 (Date of Wind Up of Corporation)
(with comparative figures for the year ended December 31, 1989)

	1990	1989
Revenue		
Product sales	$ 1,009,748	$ 5,295,307
Commissions and fees	1,585,473	3,905,853
Investment income	77,031	32,458
	2,672,252	9,233,618
Expenses		
Cost of product sales and other direct costs	2,579,518	8,765,151
General and administrative	1,743,133	1,856,663
Interest expense	141,467	267,622
	4,464,118	10,889,436
Loss from discontinued operations before the following	1,791,866	1,655,818
Gain (loss) on sale of assets (Note 5)	122,990	(10,198)
Loss from discontinued operations	1,668,876	1,666,016
Deficit, beginning of year	4,400,130	2,734,114
	6,069,006	4,400,130
Elimination of deficit pursuant to reorganization (Note 6)	(6,069,006)	-
Deficit, end of year	$ -	$ 4,400,130

(See accompanying notes)

AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

From January 1, 1990 to December 31, 1990 (Date of Wind Up of Corporation)
(with comparative figures for the year ended December 31, 1989)

	1990	1989
Cash provided by (used in) operating activities		
Loss from discontinued operations	$(1,668,876)	$(1,666,016)
Items not affecting cash:		
Depreciation	71,957	46,881
Gain on sale of international management contracts and computer equipment	(126,721)	–
Loss on disposal of subsidiary	–	10,198
Changes in non-cash operating items	1,227,433	242,303
	(496,207)	(1,366,634)
Cash provided by (used in) investment activities		
Purchase of fixed assets	(2,485)	(36,200)
Proceeds from sale of fixed assets	4,550	–
Proceeds from sale of international management contracts and computer equipment	134,000	–
Increase in long-term investment	(473,659)	(1,426,341)
Proceeds from sale of long-term investment	1,900,000	–
Increase in loan receivable	(141,265)	(600,000)
Proceeds from sale of loans receivable	741,265	–
Cost to dispose of subsidiary	–	(21,523)
	2,162,406	(2,084,064)
Cash provided by (used in) financing activities		
Increase in equity advances	473,659	6,661,341
Repayment of equity advances	(1,183,467)	–
Repayment of short-term borrowing	–	(3,200,000)
Proceeds of long-term debt	–	600,000
Repayment of long-term debt	(600,000)	(56,875)
Repayment of obligations under capital leases	(9,222)	(6,379)
	(1,319,030)	3,998,087
Net cash provided during the year	347,169	547,389
Cash position, beginning of year	(347,169)	(894,558)
Cash position, end of year	$ –	$ (347,169)
Cash position comprises the following:		
Cash and short-term deposits	$ –	$ 42,011
Bank indebtedness	–	(389,180)
	$ –	$ (347,169)

(See accompanying notes)

AGRICULTURAL DEVELOPMENT CORPORATION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS

December 31, 1990

1. STATUS OF THE CORPORATION

The Saskatchewan Trading Corporation, established in 1974 pursuant to the provisions of **The Crown Corporations Act**, was continued as the Agricultural Development Corporation of Saskatchewan (Agdevco) under the authority of Order-in-Council #158/78 dated January 31, 1978. During 1990, Agdevco sold its operations and the Corporation ceased conducting business. Agdevco was subsequently wound up effective December 31, 1990 (Note 4).

The financial results of the Corporation are included in the consolidated financial statements of Crown Management Board of Saskatchewan (CMB). Agdevco is a provincial Crown corporation and therefore not subject to Federal or Provincial income tax.

2. SALE OF INTERNATIONAL MANAGEMENT CONTRACTS

On May 31, 1990 Agdevco sold five of its international management contracts and related computer equipment to a Saskatchewan-based company, O & T Agdevco Ltd., for the cash price of $134,000. This transaction resulted in a gain on sale of $126,721 to Agdevco.

Because the international contracts that were sold represented a significant portion of Agdevco's business, the Corporation's remaining trade activities were subsequently transferred to the Department of Economic Diversification and Trade of the Province of Saskatchewan effective May 31, 1990. No fixed assets or investments were transferred as part of this transaction.

3. CESSATION OF OPERATIONS AND SUBSEQUENT EVENTS TO DATE OF WIND UP

Agdevco conducted operations until May 31, 1990. At that time the Corporation sold all but one of its international management contracts as described in Note 2. The remaining international contract, referred to as the Crescent/Agdevco Joint Venture, was managed by a joint venture between Agdevco International Inc. and a second party. During the period June 1 to December 31, 1990, responsibility for the administration and wind up of Agdevco was undertaken by CMB. Certain assets were divested during this period:

a) During 1990 Agdevco had fully subscribed for 575,000 Class "A" common, voting shares at an aggregate cost of $575,000 and 662,500 Class "B" convertible, retractable, redeemable preferred shares at an aggregate cost of $1,325,000 from National Pig Development (Canada) Co. Ltd. (NPD) for a total investment of $1,900,000. Agdevco also had loans receivable from NPD in the amount of $726,538. The investment and associated loans were sold to CIC Industrial Interests Inc. (CIC III), a wholly-owned subsidiary of CMB, effective December 20, 1990 for consideration equal to their book value.

b) Effective December 20, 1990 Agdevco's investment in Agdevco International Inc. (AI), a wholly-owned subsidiary of Agdevco, was sold to CIC III resulting in a loss on disposal to Agdevco of $3,731. Under CIC III, AI remains part of the Crescent/Agdevco Joint Venture.

4. WIND UP OF CORPORATION

Agdevco was wound up by Order-in-Council #1121/90 which provided that all assets, obligations and rights of Agdevco be acquired by CMB effective December 31, 1990. Therefore, Agdevco had no assets, liabilities, operations or employees at December 31, 1990 and these represent the final financial statements of the Corporation.

The 1990 statements of operations and deficit and changes in financial position represent financial results from the discontinued operations for 1990. Comparative figures for 1989 represent a full year's operations.

5. GAIN ON SALE OF ASSETS

	1990	1989
Gain on sale of international management contracts and computer equipment (Note 2)	$ 126,721	$ -
Loss on disposal of AI (Note 3b)	(3,731)	-
Loss on disposal of other subsidiary	-	(10,198)
	$ 122,990	$ (10,198)

6. EQUITY ADVANCES

In order to effect the wind up of the Corporation effective December 31, 1990 a reorganization of Agdevco's equity advances and deficit was completed. This reorganization resulted in a reduction of CMB's equity advances in the amount of $6,069,006 with an identical amount applied to eliminate Agdevco's accumulated deficit to December 31, 1990.

7. RELATED PARTY TRANSACTIONS

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations and with which Agdevco is related. Account balances resulting from these transactions are included in the statements of financial position and are settled on normal trading terms.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

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